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Making a difference

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Chapter 2

CLIMATE CONTROL?

The relationship between leadership, climate for change, and work outcomes

This chapter is based on De Poel, Stoker and Van der Zee (in press). *Climate Control? The relationship between leadership, climate for change, and work outcomes*. Submitted for publication at The International Journal of Human Resource Management.

INTRODUCTION

The current dynamic organizational world constantly challenges, stimulates and pressures organizations to deal with change in order to stay afloat. An organizational context that is subject to change increases the risk of conflict and lowered job satisfaction among employees (Ford, Ford & D'Amelio, 2008; Leong, Furnham & Cooper, 1996). More specifically with regard to the labour market and temporary work, ongoing changes not only affect temporary workers, but also the work of employees of temporary work agencies deploying those temporary workers (Burgess & Connell, 2006). Changes, such as the economic recession and the diversification of the labour market, create different job demands and alter the work context to which the employees working within the agencies also have to adjust. There are good opportunities to maximize the effectiveness and performance of employees working in temporary work agencies under these conditions. In this regard, leaders have an important role in keeping their employees satisfied and in stimulating them to achieve desired work outcomes (e.g. De Dreu & Weingart, 2003). Leaders seem to be the ones who have to guide employees toward change and future goals of the organization. This implies that specific leadership qualities are required in order for leaders to be currently effective (Amabile et al., 2004).

As reflected in several studies over the past two decades (e.g. Burke et al., 2006; Mumford et al., 2002; Spreitzer, Perttula & Xin, 2005), the notion of transformational leadership has become increasingly popular. Transformational leaders are seen as being able to transform or change the beliefs and attitudes of their followers so that these followers are willing to do more and perform better than they might reasonably be expected to (Bass, 1985, 1998; Podsakoff et al., 1990). Such visionary and change-oriented characteristics are said to make leaders successful in guiding employees in a change-oriented organizational context (Mumford et al., 2002). Even though much research has addressed the effectiveness of transformational leadership, it is perhaps over-simplistic to state that transformational leadership is the only leadership style that is required in a dynamic organizational context. In this regard, authors like Ashford, Blatt, and Vanderwalle (2003; see also Mumford et al., 2002) claim that the visionary and charismatic characteristics of transformational leadership may even hinder employees in expressing their own ideas and thoughts. Expressing one's own ideas and thoughts seems to be of the utmost importance in creating innovation and change (Mumford et al., 2002). One leadership style that could be effective in stimulating employees to express their own ideas and thoughts is participative leadership (Somech, 2003), since participative leaders are said to stimulate their employees to participate in making decisions about work processes. Like transformational leadership, participative leadership has been shown to be effective in

stimulating positive work outcomes in employees (Kahai, Sosik and Avolio, 1997, 2004; Somech, 2003, 2006; Spreitzer, 2007; Stoker et al., 2001). However, the apparent differences between the two leadership styles pose interesting questions about their simultaneous effect on work outcomes.

In this study, we will include both transformational leadership and participative leadership, and examine their individual potential to enhance work outcomes in the dynamic work environment of temporary work agencies. We will argue that due to the changes in the work context of temporary agencies, the employees working within the specific agencies may benefit from a leader that on the one hand guides by means of a vision for the future and on the other hand stimulates employees to actively participate. Moreover, we propose that a leader may indirectly affect the work outcomes of employees via stimulating a climate in which change is valued. This in turn may be beneficial to the dynamic environment of temporary work agencies. This notion is built on a recent article by Nemanich and Keller (2007), in which it was shown that transformational leadership may have both direct and indirect influences on the work outcomes of employees, the latter through its relationship with the climate of the work environment. For this study we specifically focus on the extent to which there is an orientation towards change within the work environment and refer to this as a climate for change (Patterson et al., 2005).

Through means of a questionnaire study, conducted among 258 employees of a Dutch employment agency, we aim to study the roles of both transformational and participative leaderships in stimulating desired work outcomes within the context of temporary work agencies and examine the underlying mechanism through which the leadership effects are accomplished. Specifically, we will study whether the relationships of both transformational leadership and participative leadership with the work outcomes of employees are mediated by the extent to which a climate for change is present. In addition, the current study may extend the research on temporary work agencies by going beyond the perspective of temporary workers and focus on the perspective of the employees within the temporary work agency itself.

THEORETICAL BACKGROUND

Within the organizational context of temporary work agencies, internal as well as external changes have been prominent (Mitlacher, 2006). Until now, literature on temporary work agencies has focused primarily on the perspective of temporary workers (e.g. Antoni & Jahn, 2009; Galais & Moser, 2009; Slaterry, Selvarajan & Anderson, 2008; Slaterry et al., 2010). However, from the perspective of the employees of temporary work agencies, who deploy the temporary workers, these changes may also have great repercussions and influence the service quality of the temporary work agency (Liu, Wu & Hu,

2010). Temporary work agencies have a commitment to both the temporary workers and the organizations that employ the temporary workers through the agency. Due to this complex triangulation of relationships in the field of temporary work (Havard, Rorive & Sobczak, 2009), temporary work agencies also have to adhere to the changes in needs of both the temporary workers and the client organizations. For instance, in times of economic recession the strategy for the recruitment of new employees to work for organizations often changes in order to tap into new target groups (Henkens, Remery & Schippers, 2008). In anticipation of the changing economy, organizations are expected to increase their search for highly skilled and specialized temporary workers. Moreover, due to changes in the labour market, organizations may also start searching for employees with a wider range of backgrounds, such as educational and functional background, but also ethnicity, gender and age. Both the economic recession and the changing composition of the labour market may, to a large extent, increase the job demands of employees working in temporary work agencies and ask of them to be highly flexible in dealing with these changes. Inflexibility of employees in light of these changes may compromise the effectiveness and job satisfaction of these employees. Specific supervisor behaviours may enhance the flexibility and effectiveness of employees, by for example by buffering against burnout feelings of employees in a temporary work agency and indirectly counteracting the negative effects of burnout on performance (e.g. Bakker, Van Emmerik & Van Riet, 2008).

Transformational and Participative Leadership

As mentioned above, transformational leadership (Bass, 1985) is often portrayed as one of the more effective leadership styles in a context where change is prominent (Burke et al., 2006; Mumford et al., 2002; Spreitzer et al., 2005). Transformational leaders are able to promote change and growth by expressing a clear vision of future goals. Through their charisma and functioning as a role model, transformational leaders are able to commit their employees to their vision (Bass, 1998; Podsakoff et al., 1990). Research suggests that transformational leadership is associated with enhanced effectiveness of employees and their leader (Dackert, Lööv & Mårtensson, 2004; Jung, 2000; Jung, Chow & Wu, 2003; Jung & Sosik, 2002; Nemanich & Keller, 2007; Sosik, Avolio & Kahai, 1997; Spreitzer et al., 2005; Walumbwa & Lawler, 2003). For instance, the study by Jung and Sosik (2002) shows that, by committing employees to a vision and promoting growth, transformational leaders are able to enhance the effectiveness of employees.

However, along with all these positive findings, there has recently been the suggestion that the outcomes of transformational leadership may have been over-romanticised (Cha & Edmondson, 2006; Conger, 1990).

According to Ashford et al. (2003), the visionary and charismatic characteristics of transformational leaders may leave little room for employees to have their own ideas, to reflect upon and criticize their ways of working. In a literature review on transformational leadership, Mumford et al. (2002) propose that transformational leadership may not always be particularly useful in a dynamic organizational context. Even though transformational leadership is important for successfully guiding employees, at the same time it can draw too much attention to a leader's vision and lead to the potentially valuable perspectives of their followers being ignored. These authors argue that while a leader's vision may be useful in defining and clarifying the work goals, the participation of employees in the decision-making process might be helpful in finding innovative work strategies for reaching these goals (Mumford et al., 2002; see also Cox, Marchington & Suter, 2009). In other words, a leader also has to be able to stimulate employees to reflect on the work processes and express their own innovative ideas and thoughts. This seems to be accomplished by applying a more participative leadership style (Vroom & Jago, 1995).

Participative leadership is the degree to which a leader shares the influence on decision making with his followers in a workgroup (Somech, 2003). Participative leaders actively involve their employees in decision-making and in doing so may stimulate employees to express their perspective on work processes. Similar to transformational leadership (Bass, 1985), participative leadership may also be referred to as a change-oriented leadership style (Lines, 2004) and may therefore also be a very suitable leadership style in a dynamic organizational context. Participative leaders involve their employees in change processes within the organization and stimulate them to actively participate in making decisions. Several studies have positively associated participative leadership with a range of employee work outcomes, such as job satisfaction, effectiveness, and reduced conflict (Burke et al., 2006; De Dreu & West, 2001; Kahai et al., 1997; Kotlyar & Karakowsky, 2006; Lovelace, Shapiro & Weingart, 2001; Somech, 2003; Spreitzer, 2007; Stoker et al., 2001; Williams, 1998), which may be indicative of the success of participative leadership.

As illustrated above, transformational leadership and participative leadership have both separately been associated with positive work outcomes. However, since transformational leadership emphasizes the vision for the organization while participative leadership puts emphasis on the participation of the employees, both leadership styles seem to contribute uniquely to work outcomes. Throughout the literature on leadership, though, little is suggested about the simultaneous effect of the two leadership styles on work outcomes. Moreover, even less research has focused on the impact of leadership in temporary work agencies (a notable exception being a case study by Augustsson, Olofsdotter & Wolvén, 2010). Therefore, in this study we aim to

examine the impact that both transformational leadership and participative leadership may conjointly have on the work outcomes of employees working in a temporary work agency. Examining this simultaneous effect of both leadership styles may shed light on the question whether transformational leadership and participative leadership can complement each other in enhancing positive work outcomes in a dynamic organizational context. We propose that:

Hypothesis 1: transformational leadership and participative leadership will both together be independently related to positive work outcomes.

Mediating Effect of Climate of the Work Environment

Although the relationship between leadership and work outcomes has in general been studied intensively, much less research has focused on the mechanisms through which this relationship is realised. One factor through which leadership may affect work outcomes involves the climate that is created within the work environment (Barling, Loughlin & Kelloway, 2002; Dragoni, 2005; Eisenbeiss, Van Knippenberg & Boerner, 2008; Kozlowski & Doherty, 1989; Nemanich & Keller, 2007; Zohar & Tenne-Gazit, 2008). The composition of values, attitudes, and behaviours shared by employees, which determines to a large extent the climate of the work environment (Schneider, 1990; Patterson et al., 2005), may be a reflection of the norms and values expressed by their leader. Research has shown that the climate of the work environment is a strong predictor of performance, effectiveness, and job satisfaction (Bain, Mann & Pirola-Merlo, 2001; King et al., 2007; Kruglanski et al., 2007b; Pirola-Merlo et al., 2002; Schulte, Ostroff & Kinicki, 2006).

Transformational leadership and participative leadership have both been associated with a strong orientation toward change (Dackert et al., 2004; Gil et al., 2005). In turn, a climate for change has been associated with enhanced positive work outcomes of employees (e.g. Patterson, Warr & West, 2004; Schulte et al., 2006). Schulte et al. (2006) found, for instance, that in a work environment with open communication about changes within the organization, employees experience more job satisfaction. Patterson et al. (2004) found a significant relationship between an orientation towards change within the work environment and the productivity of the organization. Moreover, research has shown that especially in the last phase of an economic recession the demand for agency work may increase (De Graaf-Zijl & Berkhout, 2007). This increase may subsequently have a strong impact on the job demands and the work outcomes of the employees within the temporary work agency. Moreover, the diversification of the labour market may ask of employees to be more flexible in working with people with diverse backgrounds. Employees in temporary work agencies may benefit from a work

environment with an orientation towards change in order to enhance their flexibility and ability to adjust to these changes. Therefore, the presence of a leader who can raise awareness about ongoing changes and guide employees towards these changes could be of the utmost importance for these organizations. We expect that both transformational leadership and participative leadership may indirectly relate to work outcomes through a climate in which change is highly valued and sought after.

A recent study by Nemanich and Keller (2007) similarly found support for a mediating effect of a climate for creative thinking on the relationship between leadership and work outcomes. More specifically, they found that the extent to which a climate for creative thinking is stimulated within a work environment has a mediating effect on the relationships between transformational leadership and both performance and job satisfaction. Conceptually, what they refer to as a climate for creative thinking is closely related to that of a climate for change. Patterson et al. (2005) describe a climate for change as the extent to which there is openness to and an orientation toward change among employees within the work environment. In addition to being supportive of creative thinking, a climate for change also entails reflecting on the practical usefulness of these ideas for changing work processes and their application. We anticipate replicating the findings of Nemanich and Keller (2007) concerning transformational leadership, but with climate for change as mediator. In addition, we aim to extend their work by examining the mediating effect of a climate for change on the relationship between participative leadership and work outcomes, as this leadership style may also be linked to change in the work environment (e.g. Kahai et al., 2004; Ogbonna & Harris, 2000; Somech, 2006). We propose that (see Figure 1):

Hypothesis 2a: a climate for change will mediate the relationship between transformational leadership and work outcomes.

Hypothesis 2b: a climate for change will mediate the relationship between participative leadership and work outcomes.

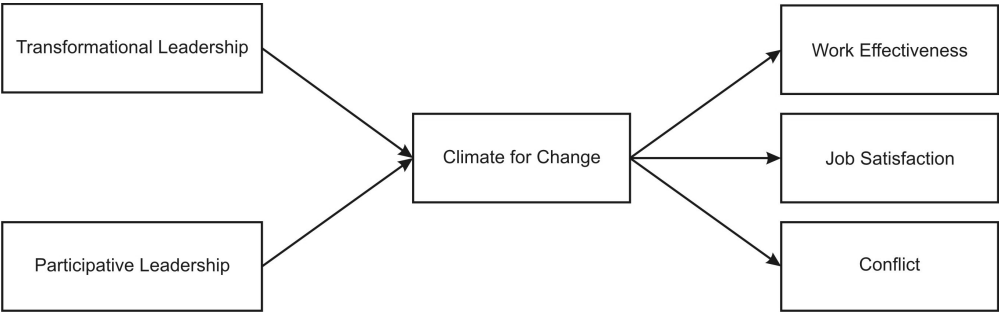


Figure 1: Conceptual model

METHOD

Organizational context

The survey was conducted in one of the largest employment agencies and HR services providers in the world. The organization has over 27.000 corporate employees working at over 4.000 offices and in-house locations worldwide. The organization provides services such as temporary staffing, permanent placement, and the recruitment of middle and senior managers. Moreover, they provide consultancy on site, seconded specialists (professionals) and specialized HR services.

Due to the economic changes and the changing job market, the organizational context of the temporary work agency especially has to a large extent been subject to changes over the last few years. The labour law for temporary agency workers in the Netherlands has been subject to frequent changes over the last few decades. The introduction of, for instance, the WAADI law in 1998 and the law called the Flexwet in 1999 have positively changed the position of the temporary worker (Mitlacher, 2006). Consequently, temporary agency work has become more attractive over the years, making the Netherlands one of the countries with the highest proportion of temporary agency workers (Jahn, 2005), thus increasing the job demands of personnel at the agencies. Specific changes for this Dutch temporary work agency included the company's takeover of another temporary work agency. Consequently, the merger of and cooperation between the local offices throughout the Netherlands has increased the diversity of their work force in terms of experience, educational, functional and ethnic backgrounds. These ongoing changes create an opportunity and make the organization an interesting subject for studying the effects of change and change-oriented leadership.

Sample

For our study an online questionnaire was distributed to employees of the organization working in offices across the Netherlands. The sample of respondents contained managerial and administrative staff of the employment agency with a regular bilateral employment contract with the organization. Their job is, amongst others, to provide temporary work for workers who are enlisted at the employment agency. All the respondents were, at the time of the survey, working at one of the offices of the employment agency within the Netherlands, under daily supervision of one of the organization's line managers assigned to run a specific office.

All respondents were asked to answer questions on the way they perceived their work environment, the leadership style of their leader and their work outcomes. In order to check whether the respondents had their own line

manager in mind while answering the questions about leadership, the respondents were asked to “think about their direct formal leader while answering the questions” and to name the leader they had in mind while answering the questions. Due to the sensitivity of the information, all the respondents were assured of the confidentiality of the survey. All the variables were measured and later analyzed on the individual level. The sample for this study included 258 respondents (response rate 32.8%), of which 64 were male and 194 were female. The average age of the respondents was 32.6 years, with ages ranging from 20 to 56. Over 90% of the respondents had completed higher education (bachelor and/or master degree).

Measures

Climate. To measure the climate for change, items were taken from the subscale for innovation and flexibility of the Organizational Climate Measure by Patterson et al. (2005). Because the study was conducted in a real life organizational setting, the length of the questionnaire was restricted to three items per scale. The three items were chosen based on their factor loading on the original scale by Patterson et al. (2005). An example of the items used to measure a climate for change is: ‘This department/unit is quick to respond when changes need to be made’. The respondents were asked to score each item on a seven-point scale ranging from ‘completely disagree’ (1) to ‘completely agree’ (7). Internal consistency for the scale was satisfactory, with a Cronbach’s alpha of .80.

Leadership. To assess the leadership style of their leaders, employees were asked to score the leadership behaviour of their leader using several items reflecting two leadership styles. As above, all the items used were scored on a seven-point scale, again ranging from ‘completely disagree’ (1) to ‘completely agree’ (7). Transformational leadership was measured using a selection of items from the scale developed by Podsakoff et al. (1990). For each of the six dimensions of the scale we chose the item with the highest factor loading. Hence, we ended up with six items measuring transformational leadership. A sample item is: ‘my leader challenges me to think about old problems in new ways’. Cronbach’s alpha for this scale was .84.

To measure participative leadership, three items were adopted from Mulder et al. (1986). A sample item of this scale is ‘My leader consults with us, even on important business’. For this scale, Cronbach’s alpha was .70.

Work outcomes. Work effectiveness was measured using a selection of seven items taken from the scale developed by Pearce and Sims (2002). A sample item that was used is ‘The quality of the team’s output is very high’. The same seven-point scale as before was used. Cronbach’s alpha for this scale was .85.

Job Satisfaction was measured using measures taken from two scales. Two items were adopted from Agho, Price, and Muller (1992) and six items were adopted from De Witte (2000). An example of the items is 'I find real enjoyment in my job'. Again, the same seven-point scale was used, and Cronbach's alpha for the combined scale was .90.

Conflict was measured using five items selected from the scale created by Jehn and Mannix (2001). The five items used for measuring conflict were again scored on a seven-point scale, this time ranging from 'hardly ever' (1) to 'a lot' (7). A sample item that was used to measure conflict is 'How often are there disagreements about who should do what in your workgroup?' The Cronbach's alpha for this scale was .91.

Control variables. Previous research has shown that gender and age might have an effect on the work outcomes of employees, for instance in their reaction to conflict (Kluwer, Tumewu & Van den Bos, 2009). To make sure these variables did not interfere with our results, we controlled for their possible effect on the different dependent variables. Age was a self report measure in years. Gender was dummy coded (male = 1; female = 0).

Analyses

Mediation analysis. We tested our research model using the procedures for testing mediation models recommended by Baron and Kenny (1986). Testing a mediation model involves estimating several different regression models. First (Step 1), it involves estimating the regression of the mediator (in this case, climate) on to the independent variable (here, leadership style). Second (Step 2), it requires estimating the regression of the dependent variable (outcomes) on to the independent variable (leadership style). Next (Step 3), the dependent variable (outcomes) is regressed on to both the independent variable (leadership style) and the mediator (climate of the work environment) at the same time. Mediation is established when the regression equations show that the independent variable is related to the mediator, that the independent variable also affects the dependent variable, and that the mediator affects the dependent variable while reducing the effect of the independent variable on the dependent variable. Full mediation occurs when a previously significant effect of the independent variable on the dependent variable becomes non-significant when the mediator is added to the equation. If the effect of the independent variable on the dependent variable is reduced but remains significant, this is termed partial mediation. For interpretation purposes, all the independent variables as well as the mediator variable were standardized prior to adding them to the regression analyses.

Confirmatory factor analysis. To further examine the validity of our measures, we conducted confirmatory factor analyses (CFA) in LISREL. With

these analyses, we compared the fit of the six factor model, in which each item was set to load on the predicted latent variable with more constrained five, four, three, two or one factor models (Kelloway, 1998). The results of the CFA chi-square test show that the six factor model has the best fit with the data ($\chi^2 = 1130.56$, $df = 480$, $p < .001$) (for the factor loadings see Table 2.3 in Appendix A). However, the χ^2 statistic is extremely sensitive to sample size. A large sample size may produce a significant χ^2 value, even when the model does not fit the data. To address this issue, it has been suggested to divide the χ^2 statistic by the degrees of freedom (Wheaton et al., 1977). The model fits the data reasonably well when a value of three or less is found. For the present study this was $\chi^2/df = 2.36$. Moreover, the root mean square error of approximation (RMSEA = 0.073) and its 90% CI [0.067, 0.078] also suggest a good fit of the six factor model. Overall, the fit of the six factor model was significantly better compared to the more constrained models.

Common method variance analyses. For the results in this study we relied on same-source data, which poses a risk of common method bias (Podsakoff et al., 2003). Williams et al. (1989) found that in all of the studies they examined, approximately 25 percent of the variance was due to common method variance. We investigated the possible presence of common method variance in our data using the procedure recommended by Harman (1976), which is commonly used to address this issue (e.g. Lin, 2007; Mattila & Enz, 2002). To examine the possible amount of variance explained by common method in our study, we conducted a principal components factor analysis with varimax rotation. According to this technique, common method variance is present when a single factor or general factor emerges from the factor analysis that explains more than 50% of the covariance in the variables. The results of the factor analysis revealed no apparent general factor. Each of the factors that emerged accounted for less than 50% of the covariance, the highest percentage of explained covariance being 28%. In all, we can conclude that common method bias does not pose a threat for our data, nor does it change any of our findings.

RESULTS

The descriptive statistics and the bivariate correlations of the variables that were used in this study are shown in Table 2.1. This Table shows a strong correlation between both leadership styles and a climate for change. Moreover, the leadership styles as well as a climate for change are significantly correlated with the work outcomes. Table 2.2 shows the results of the steps in the regression analyses performed to test our hypotheses for the mediating effect of climate on the relationship between leadership and outcomes. For each

variable, the effect size (b) is given in the table for that specific mediation model.

To test Hypotheses 1a and 1b, which state that transformational leadership and participative leadership are independent predictors of work effectiveness, job satisfaction, and conflict, a regression analysis was conducted. The results in Table 2.2, under Step 2, show that transformational leadership is a predictor of both job satisfaction ($b = .34, p < .001$) and conflict ($b = -.20, p < .05$), but not of work effectiveness ($b = .02, n.s.$). This, thus, partially supports Hypothesis 1a. The results further show that participative leadership is a predictor of work effectiveness ($b = .14, p < .05$), job satisfaction ($b = .27, p < .001$), and conflict ($b = -.14, p < .05$), fully supporting Hypothesis 1b.

Next, we tested the mediating effect of a climate for change on the relationships of transformational leadership (Hypothesis 2a) and participative leadership (Hypothesis 2b) with work effectiveness, job satisfaction, and conflict. As a first test for a mediating effect of a climate for change, a regression analysis was conducted to test whether either transformational leadership or participative leadership were related to a climate for change. Because the results did not show a relationship between transformational leadership and a climate for change ($b = .15, n.s.$), we can initially conclude that there is no mediating effect of a climate for change on this relationship. Hypothesis 2a is therefore not supported by the results.

Conversely, the results in Table 2.2 under Step 1 show that participative leadership is related to a climate for change ($b = .21, p < .05$). Furthermore, results show that a climate for change mediates the relationships between participative leadership and two of the work outcomes, namely work effectiveness and conflict. The relationship between participative leadership and work effectiveness weakens from $b = .14$ ($p < .05$) after Step 2, to $b = .10$ ($n.s.$) when the climate for change is entered into the regression model in Step 3 (Sobel's test: $z = 2.03, p < .01$). Similarly, the relationship between participative leadership and conflict weakens from $b = -.14$ ($p < .05$) to $b = -.08$ ($n.s.$) when the climate for change is entered into the model (Sobel's test: $z = 2.07, p < .05$). The relationship between participative leadership and job satisfaction, however, only marginally weakens, from $b = .27$ ($p < .001$) to $b = .24$ ($p < .01$) (Sobel's test: $z = 1.67, p = .095$). Therefore, Hypothesis 2b concerning the mediating effect of a climate for change is partially supported, i.e. for the relationships between participative leadership and both work effectiveness and conflict. For job satisfaction, this hypothesis is not supported.

Table 2.1: Descriptive statistics, reliabilities, and correlations^a (N = 258)

<i>Variable</i>	<i>Mean</i>	<i>SD</i>	<i>Alpha</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1. Age	32.63	7.11	-							
2. Gender ^b	.25	0.43	-	-.03						
3. Climate for change	5.20	1.08	.70	-.07	-.07					
4. Transformational leadership	4.99	1.01	.80	-.01	-.05	.30 ***				
5. Participative leadership	5.13	1.06	.92	-.04	.00	.32 ***	.67 ***			
6. Job satisfaction	5.25	1.05	.95	.09	-.01	.29 ***	.49 ***	.47 ***		
7. Conflict	1.74	0.90	.70	-.02	.16 *	-.37 ***	-.33 ***	-.30 ***	-.33 ***	
8. Work effectiveness	5.60	0.73	.82	-.03	-.08	.32 ***	.16 ***	.21 ***	.26 ***	-.35 ***

Note: ^a . *p< .05, **p< .01, ***p< .001; ^b Gender was coded 1 = male, 0 = female

Table 2.2: Results of regression analyses testing the mediating effect of a climate for change on the relationships of participative leadership and transformational leadership with various work outcomes (N = 258)

<i>Dependent variable</i>	<i>Climate for Change</i>	<i>Work effectiveness</i>			<i>Job satisfaction</i>			<i>Conflict</i>		
<i>Independent variable</i>	Step 1	Step 2	Step 3	Step 2	Step 3	Step 2	Step 3	Step 2	Step 3	Step 3
Age	-.06	-.02	-.01	.11	.11	-.02	-.03			
Gender	-.06	-.05	-.04	.01	.02	.30 *	.27 *			
Transformational leadership	.15	.02	-.01	.34 ***	.32 ***	-.20 *	-.16 *			
Participative leadership	.21 *	.14 *	.10	.27 **	.24 **	-.14 *	-.08			
Climate for change			.21 ***		.14 **		-.25 ***			
R ²	.12 ***	.05 **	.12 ***	.29 ***	.30 ***	.14 ***	.21 ***			
R ² change			.07 ***		.02 ***		.07 ***			

Note: *p< .05, **p< .01, ***p< .001

DISCUSSION

Nowadays most organizations continuously have to deal with change. Although the work of temporary work agencies used to be relatively standardized, the work in this field has also been subject to many changes and has become more complex. Organizational changes within the area of temporary work have often focused on the perspective of temporary agency workers and the repercussions these changes might have on the well-being of the temporary workers. However, the increased demand for temporary workers and the changing labour market also challenge temporary work agencies, and especially their employees, to go beyond the traditional roles and may pose a risk to the service quality of the temporary work agencies. Yet, the impact these changes may have on the employees working within the temporary work agencies is still underexposed (Augustsson et al., 2010; Burgess & Connell, 2006). Our study extends the research on temporary work agencies, by examining the impact leadership may have on the effectiveness, job satisfaction and amount of conflict among employees working in temporary work agencies, plus the extent to which these leadership styles may buffer against the possible negative effects of changes that occur in the work environment. Since other areas of research have indicated that effectiveness, job satisfaction and amount of conflict may influence the service quality of institutions and organizations to a great extent (cf. Green, Rudolph & Stark, 2008), this study may imply that leadership is an important factor in maintaining a high quality of service and should therefore also not be neglected in research on service quality of temporary work agencies. Even more so, because service quality of temporary work agencies has been shown to relate to temporary worker satisfaction and indirectly to loyalty (Liu et al., 2010). In all, leadership may be an important antecedent that can influence the service quality of temporary work agencies and indirectly the satisfaction of temporary workers.

More specifically, the present study shows that, in addition to transformational leadership, participative leadership is a serious candidate when it comes to effective leadership in the change-oriented context of temporary work agencies. This study therefore indicates that, in order to stimulate positive work outcomes, it is important not just to consider transformational leadership, but also leadership that stimulates employees to participate in the decision-making process, i.e. participative leadership. In addition, the present study provides evidence that participative leadership stimulates positive work outcomes by encouraging a climate in the work environment of temporary work agencies where employees are oriented towards the ongoing changes. We will now discuss the theoretical and practical implications of the results found in the current study.

Theoretical implications

The effectiveness of transformational leadership in a change-oriented organizational context is widely acknowledged throughout the literature on leadership (e.g. Jung, 2000; Jung et al., 2003; Jung & Sosik, 2002; Nemanich & Keller, 2007; Sosik et al., 1997). Our data suggest, though, that this is not the whole story. Regression analyses supported independent effects of transformational leadership and participative leadership on job satisfaction and the degree of conflict. Hereby our expectation is confirmed that leaders in temporary work agencies may need to have a clear vision of future goals and serve as a role model while, at the same time, they also need to stimulate employees to participate in making decisions about the work at hand.

Contrary to what we had expected, we did not find a relationship between transformational leadership and a climate for change. Consequently, we were unable to establish any mediating effect of a climate for change on the relationship of transformational leadership with either job satisfaction or the degree of conflict. However, the results did indicate that participative leadership is positively related to a climate for change. Moreover, we uncovered an underlying mechanism which suggests that participative leadership is related to positive work outcomes through the stimulation of a climate for change. Apparently, employees of temporary agency workers may benefit from a climate for change, which could create a basis for them to be able to adjust to external requirements without compromising their work outcomes. The results seem to suggest, though, that transformational leadership and participative leadership differ in their relationship with a climate for change and how they stimulate positive work outcomes within the context of temporary work agencies. A possible explanation may be found in the way that transformational leaders guide their employees compared to participative leaders.

Seemingly, if leaders involve their employees in the decision-making process and stimulate them to actively participate, a climate that encourages change may thrive in the work environment. Employees of temporary work agencies are generally used to work independently without much interference from their leader. Therefore, especially in light of the ongoing changes, a leader may need to be able to give employees sufficient freedom to reflect and think about their work processes. Moreover, a leader needs to stimulate employees to work together to finalize and implement new ideas and procedures that may be needed to adjust to the external as well as internal changes. This is what participative leaders tend to do: they stimulate employees to evaluate and reflect on the work processes as a group and stimulate employees, as a group, to participate in making decisions about the work processes. Transformational leaders, conversely, tend to draw attention to their personal visions of future

goals, and address employees on a more relational level to urge them to share these visions. This may leave little sense of any need for employees to discuss their own views and reflect upon the work processes as a group, thus inhibiting the emergence of a climate among employees in which they are open to and oriented toward change.

So why then did Nemanich and Keller (2007) find a mediating effect of climate on the relationship between transformational leadership and work outcomes? The answer to this question may be in the specific type of climate they examined and the appropriateness of that climate for the specific context of temporary work agencies. They examined a climate in which there was support for creative thinking and goal clarity, whereas our focus was on the broader construct of support for change. Even though a climate for creative thinking and a climate for change seem strongly related, there may be a fundamental difference that could explain why we did not find a mediating effect of a climate for change on the relationship between transformational leadership and work outcomes. A climate for creative thinking implies that employees feel they are free to express new ideas and views, which might suggest this is an individual effort. Nemanich and Keller (2007) indeed found that transformational leaders were able to stimulate such a climate through the intellectual stimulation of each of their employees on an individual level. However, changes in job demands or in the work environment might not only create a platform for new and creative ideas, but also require skills of employees that go beyond expressing views and creative thoughts. Therefore, a climate for change may be more appropriate, because it also, and probably more importantly, involves stimulating employees to be flexible in the light of change, such that they feel able to discuss and reflect upon work processes amongst themselves. In so doing, they are stimulated as a group to come up with and implement new and more effective ways of working and dealing with changes in the labour market or in their own work environment. Since transformational leaders, compared to participative leaders, tend to leave little room for discussion and reflection among employees, this might explain why the former are not able to stimulate positive work outcomes through the creation of a climate for change.

Interestingly, we did not find the same mediating effect of climate on the relationship between participative leadership and job satisfaction as we did for work effectiveness and the degree of conflict. The reason for this may be found on the level on which the different work outcomes are specified. While work effectiveness and conflict can be seen as interpersonal outcomes, job satisfaction can be viewed as an intrapersonal outcome (Kwan et al., 2004; Paulhus, 1998). Our results indicate that work effectiveness, conflict and possibly other interpersonal outcomes, may be more indirectly affected by

leadership through a certain climate of the work environment. Job satisfaction, and possibly other intrapersonal outcomes, though, may be more directly influenced by the personal relationship of an employee with the leader, rather than through an indirect relationship involving the climate of the work environment. In future research, this distinction between interpersonal and intrapersonal outcomes could be taken into consideration, in order to explore the mechanism through which leadership and the climate of the work environment may influence work-related outcomes.

In light of the current results, there are a few limitations which need to be addressed. Firstly, the current study was conducted among the employees of a temporary work agency in the Netherlands. Due to the nature of this specific organizational context, the results of our study may not be generalizable to other Dutch organizational contexts. Moreover, the organizational context of Dutch temporary work agencies may differ from the context of temporary work agencies in other countries. For instance, legislation for temporary workers differs from country to country. This may also have influenced the outcomes of the current study and thus may compromise the generalizability of our results. It is therefore important to try and replicate the current findings in different organizational and cultural contexts.

Secondly, literature on climate research states that the more employees share the same values, the more these values will become integrated into the work environment (Anderson & West, 1998). Or, to put it another way, when there is a strong consensus among employees in their perceptions of shared values within the work environment, a “collective climate perception” will emerge (Anderson & West, 1998; James & Jones, 1974; Klein & Kozlowski, 2000). In our study, all the concepts were measured on an individual level and, therefore, we cannot assess the degree of consensus on the perceived climate among employees. In future research, it would be interesting and valuable to examine the relationship between leadership and climate on the team level. This will indicate whether it is the collective climate or the climate as perceived at the individual level that is more responsible for the effects of leadership on work outcomes.

Thirdly, all the measures relied on self-reporting which makes them susceptible to common method bias. Thus, in future research, we would recommend using different sources to measure the same concepts. For example, in measuring the style of a leader, reports of both employees and by the leaders themselves could be used in determining an overall leadership style index.

Finally, even though the mediating effect of a climate for change on the relationship between participative leadership and work outcomes may suggest a causal relationship between leadership and climate, the design of this study

does not enable one to draw firm conclusions on causality. It may, for instance, very well be that the climate within the work environment shapes the leadership style of the leader, rather than the other way around. Longitudinal research is needed to examine the causality in the relationships between leadership, climate, and work outcomes.

Practical Implications

Besides the theoretical implications, this study has practical implications that may be of value to temporary work agencies and their leader or even other types of organizations. The current dynamic economic context challenges different organizations to maintain a high level of effectiveness and quality of their employees. While in the case of temporary work agencies the work used to be relatively standardized, nowadays it is becoming more and more complex, because job demands are changing due to external changes in the labour market and the economic crisis. In order for temporary work agencies to differentiate and keep their competitive advantage, they have to be innovative and able to deal with these ongoing changes. The results from the present study show that a climate that encourages change may be an important aspect within the work environment that may help employees to proactively deal with change and is related to certain positive work outcomes of the employees. In order to achieve a climate for change, our results further suggest that management development could be a viable way through which this goal may be reached. One approach could be through training and coaching current leaders in the appropriate styles. In order to promote a climate for change, organizations could focus training and development efforts on the specific leadership styles that encourage such a climate.

The current results may also translate to other temporary work agencies or even other organizations that increasingly have to deal with changes within their organizational context, such as the diversification of their work force. It is often suggested that teams with a diverse mix of employees have the potential to be more creative and innovative than homogeneous teams (e.g., Van Knippenberg, De Dreu & Homan, 2004; Van Knippenberg & Schippers, 2007). The reasoning is based on the idea that the greater the variety of ideas and viewpoints to be found in a team, the more effective it will be. Given that an element of a climate for change is that it stimulates employees to express their divergent views, such a climate may serve well as a basis for diversity. Moreover, this study suggests that diverse teams may be well served by transformational leadership, as well as participative leadership behaviours from their leader.